ANNUAL REPORT 2000

CPI PLASTICS GROUP LTD.

(TAKE A CLOSER LOOK)

(SEE THE BIG PICTURE)

CPI Plastics Group Limited is a recognized international leader in thermoplastic design, engineering, processing and value-added manufacturing.

CPI's product portfolio is strategically balanced between Industrial Products – profile parts and programs supplied to world class manufacturing customers; and Consumer Products – exciting, lifestyle products distributed through a variety of wholesale and retail channels.

Based in Mississauga, Ontario, Canada, CPI's dedicated team of six hundred employees serve our customers out of seven plants occupying three hundred thousand square feet of manufacturing space housing over one hundred production machines.

50% 50%

CONSUMER = 50%
INDUSTRIAL = 50%

Financial Highlights

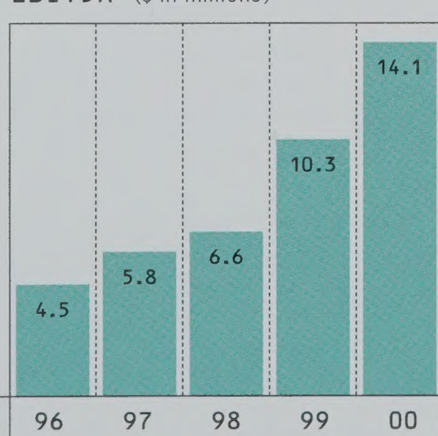
In thousands of dollars except per share data

	2000	1999	% Increase
Operating Results			
Net Sales	$ 100,596	$ 70,346	43.0%
Earnings before interest, taxes, depreciation and amortization (EBITDA)	14,065	10,295	36.6%
Net earnings	5,605	4,136	35.5%
Per share data			
Earnings per share – fully diluted	0.48	0.38	26.3%
Earnings per share – basic	0.51	0.41	24.4%
Cash flow per share – basic	0.83	0.74	12.6%
Financial Position			
Total assets	70,245	59,809	–
Shareholders' equity (2)	27,164	16,357	–
Cash flow from operations (1)	9,249	7,560	–
Capital expenditures	9,304	9,716	–
Selected Financial Ratios			
Long-term debt to shareholders' equity (including installments due within one year) (2)	0.89:1	1.37:1	–
Funded debt to shareholders' equity (2)	1.20:1	1.87:1	–
Return on weighted average shareholders' equity during the year (2)	26.4%	29.8%	–

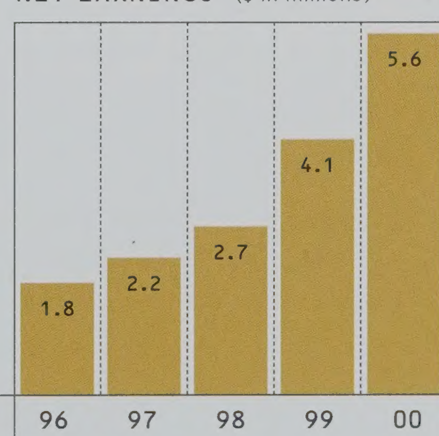
(1) Net earnings plus items charged to income not affecting cash
(2) Includes First Preference Shares as equity

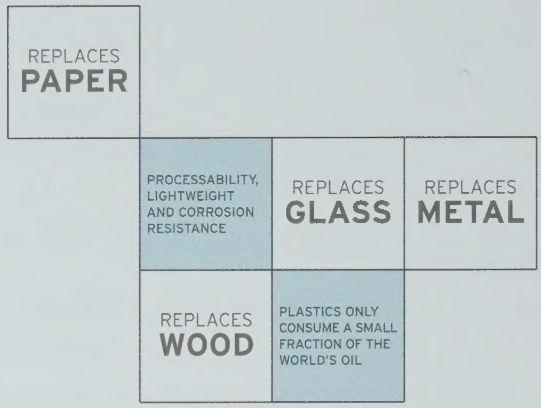
NET SALES ($ in millions)

EBITDA ($ in millions)



NET EARNINGS ($ in millions)





CHAIRMAN'S MESSAGE

CPI Plastics Group has enjoyed another outstanding year of growth with a sales increase of 43% and, net earnings increase of 35.5%. Our EBITDA return of 14.0% is of particular importance as we continue to utilize conventional bank debt to fund our capital needs.

(FOCUSED ON THE FUTURE)

Looking into the future, we remain optimistic about the opportunities available to CPI. We are fortunate to be in an industry, which has posted exceptional gains throughout the last decade. The unique attributes of plastics (including processability, light weight, and corrosion resistance) have led to the creation of new products as plastics continue to replace paper, glass, metal and wood in traditional applications. Plastics only consume a small fraction of the world's oil and that fraction is used so efficiently that fossil fuel reserves will last longer. In fact, it is estimated that the use of plastics as a whole actually saves more oil than needed for their manufacture.

CPI has established a leadership position in our industry both as a value-added supplier in our industrial products sector and as a category leader in consumer goods with offerings such as wood-like, maintenance-free decking, cladding and blind slat applications. As many of our products are in the infancy stage of their life cycle, we are confident of continued growth despite the prospect of an economic slowdown.

Our eon™ decking system, following two years of test marketing, will be launched on a North American scale. We have now signed-up in excess of 20 distribution points (versus 5 in 2000) and will be featured in over 150 Home Depot stores.

We have begun our launch of Rack•Sack™ into the U.S. market and are hopeful that significant penetration will result. This division posted annual growth of 30% in 2000 and 61% over the past two years.

O.E.M. applications for our value-added, highly engineered extrusions continue to deliver solid growth and commensurate returns. Over the past year we have added such customers as Phillips Electronics, and effected incremental programs with such companies as Steelcase, Magna and Thompson Consumer Electronics.

(OUR VISION IS CLEAR)

We opened a new 83,000 square foot facility in February and built a 10,000 square foot addition at our Pefferlaw plant. We estimate this will provide capacity for $175 million in revenue.

On the operations side of our business, we have assembled an excellent team, which continues to deliver innovative solutions to the challenges presented. We have added a plethora of new processes, driving significant costs out of the system. The result, we have been able to maintain margins in an environment of rising energy and resin prices. This renders CPI with a significant competitive advantage on which we shall capitalize in 2001.

In closing, I wish to extend my gratitude to the members of the CPI team, from a committed Board of Directors, to an extraordinary employee group. We have achieved exceptional results and are positioned to sustain our leadership role well into the future...the result of a team focussed upon being the finest supplier in every market we serve.

Peter F. Clark
Chairman and Chief Executive Officer

FOLLOWING TWO YEARS OF TEST MARKETING, OUR EON™ DECKING SYSTEM WILL BE LAUNCHED ON A NORTH AMERICAN SCALE.

(HALF THE PICTURE)

CONSUMER PRODUCTS

50%

CPI's Consumer Products group features eON™ our revolutionary wood replacement product. eON™ combines the natural beauty of wood with maintenance-free, lifetime enjoyment.

(THE OTHER HALF)

INDUSTRIAL PRODUCTS

CPI's Industrial Products group meets the needs of leading manufacturers seeking original design, custom engineering and value-added capability. Our quality, cost competitiveness and service have resulted in high levels of existing client loyalty and new customer acquisitions.

50%

REVOLUTIONARY WOOD REPLACEMENT PRODUCTS

VALUE-ADDED AND HIGHLY ENGINEERED

WON'T CRACK

WON'T FADE

WON'T DECAY

WON'T WARP

CONSUMER PRODUCTS

eON™, CPI's revolutionary wood replacement product, leads the Consumer Products group. For the past several years, eON™ has been an important component in major window fashion programs by Hunter Douglas. eON™ has also been utilized in high value-added applications such as outdoor/garden seating and spa cladding. The development of outdoor decking using eON™ and its expansion across North America in 2001 will propel the growth for the Consumer Products group.

(SEEING IS BELIEVING)

eON™, the Complete Decking System, has captured the imagination of consumers, contractors, retailers and wholesalers alike, as its product attributes clearly surpass those of wood and the early entry wood replacement decking products.

In 2001, eON™'s market presence will be greatly expanded across North America. Distribution arrangements have been established with major regional wood products distributors. Their retail customer base, including home improvement centre leader Home Depot, coupled with integrated eON™ marketing activities will build the availability and visibility the eON™ brand needs to compete in the rapidly growing wood replacement category.

Rack•Sack™ CPI's household waste management system, along with its complementary line of plastic bags, experienced excellent growth in 2000. This growth will continue in 2001 as new products are rolled out and new distribution opportunities are realized.

INDUSTRIAL PRODUCTS

CPI's Industrial Products group develops creative, cost effective custom profile solutions for a wide range of leading North American manufacturers. These include long standing clients such as the major appliance manufacturers, where decorative shelf and door trim programs are being supplemented by new functional programs such as seals and door handle assemblies. In the latter case, traditional materials and manufacturing processes are being replaced by CPI's exacting extrusion capabilities, thereby providing highest quality at reduced cost for our customers.

(MORE THAN MEETS THE EYE)

HIGHEST
QUALITY

EXCELLENT
GROWTH

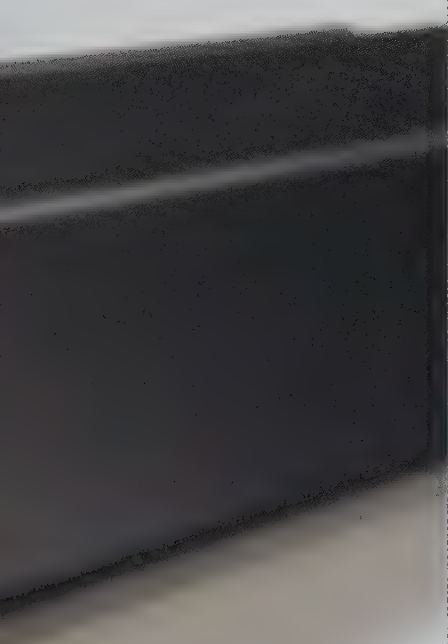
CREATIVE, COST EFFECTIVE CUSTOM PROFILE SOLUTIONS

DECORATIVE
PROGRAMS

FUNCTIONAL
PROGRAMS

CUSTOM
PROFILE

PLASTIC SHELF AND DOOR TRIMS, SEALS AND DOOR HANDLES



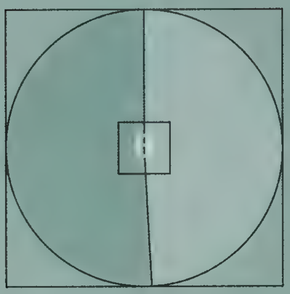
In the automotive market, CPI continued its thrust as a Tier 2 supplier of parts destined for Big Three products, principally thermoplastic weather seals which cost less than traditional, non-recyclable thermoset rubber parts. The projected turndown in auto manufacturing will have minimum effect on CPI given our highly balanced product portfolio.

Excellent growth was achieved in other manufacturing categories, namely office furniture and consumer electronics. CPI proved it could meet our customers' requirements as they strived to address the changing markets they serve.

CPI's ability to partner with clients in quick turnaround design and execution of complex custom profile programs, while at the same time offering creative material, process and cost solutions bodes well for continued Industrial Products growth.

EXCEPTIONAL 3 YEAR GROWTH WITH A WELL DEFINED BASE FOR FUTURE EXPANSION IN BOTH CONSUMER AND INDUSTRIAL PRODUCTS SEGMENTS.

NET SALES BY PRODUCT GROUP (%)

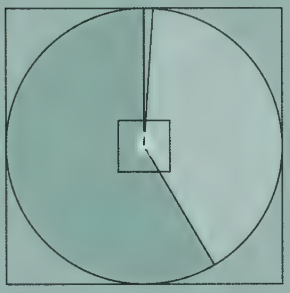


NET SALES BY GEOGRAPHIC REGION (%)

2000

- UNITED STATES = 66.2% (1999=68.0%)
- CANADA = 32.4% (1999=30.4%)
- INTERNATIONAL = 1.4% (1999=1.6%)

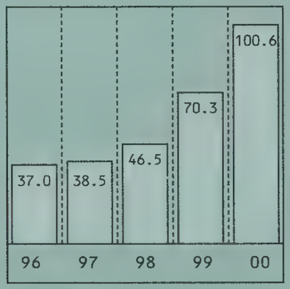
PIE CHART – A



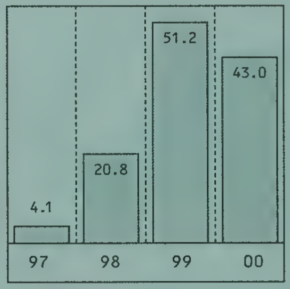
2000

- CONSUMER = 51.7%
- INDUSTRIAL = 48.3%

PIE CHART – B



NET SALES ($ in millions)



ANNUAL NET SALES GROWTH RATE (%)

Management's Discussion and Analysis

December 31, 2000 and 1999

CPI Plastics Group Limited is a recognized international leader in thermoplastic profile design, engineering, processing and value-added manufacturing. CPI's Industrial Products group supplies leading appliance, automotive, office furniture, consumer electronics and other manufacturing industries requiring custom profile solutions. The Consumer Product's group manufactures and distributes eon™ wood replacement products, including the eon™ Decking System and window fashions, the Rack•Sack™ household waste management system, and a complete line of branded and private label plastic household bags.

RESULTS FROM OPERATIONS

The following discussion has been prepared by management and is a review of the Company's operating results and financial position for the years ended December 31, 2000, 1999 and 1998 and based upon accounting principles generally accepted in Canada. The discussion and analysis of the Company's operations have been derived from and should be read in conjunction with the Consolidated Financial Statements and accompanying notes thereto appearing elsewhere in this Annual Report.

The following table discloses selected financial information of CPI for the years ended December 31, 2000, 1999 and 1998.

(in thousands of dollars, except per share)	**2000**	1999	1998
Operating results:			
Net sales	$ 100,596	$ 70,346	$ 46,501
Costs of sales and operating expenses	(86,531)	(60,051)	(39,934)
Operating margin	14,065	10,295	6,567
Operating margin percentage	14.0%	14.6%	14.1%
Depreciation and amortization	(3,319)	(2,210)	(1,113)
Interest expense	(2,341)	(1,476)	(1,045)
Earnings before income tax	8,405	6,609	4,409
Income tax	(2,800)	(2,473)	(1,683)
Net earnings	5,605	4,136	2,726
Earnings per share – basic	0.51	0.41	0.29
Weighted average number of outstanding shares – basic	11,091,997	10,208,107	9,463,478

(in thousands of dollars, except per share)	**2000**	1999	1998
Cash Flow, capital resources and financial position:			
Operating cash flow (1)	$ 9,249	$ 7,560	$ 4,160
Working capital (2)	10,034	3,447	4,013
Capital expenditures	9,304	9,716	7,679
Operating debt	8,382	8,123	3,213
Long-term debt (3)	24,219	22,412	10,216
Shareholders' equity (4)	27,164	16,357	11,736

(1) NET EARNINGS PLUS ITEMS NOT AFFECTING CASH
(2) EXCLUDES CURRENT PORTION OF TERM DEBT
(3) INCLUDES CURRENT PORTION OF TERM DEBT
(4) INCLUDES FIRST PREFERENCE SHARES AS EQUITY

YEAR ENDED DECEMBER 31, 2000 AS COMPARED TO YEAR ENDED DECEMBER 31, 1999

Net Sales

Net sales for the year ended December 31, 2000 increased by $30,250,000. or 43%, over 1999, to $100,596,000. Sales for each of the operating segments is summarized as follows:

(in thousands of dollars)	**2000**	1999	% Change
Consumer Products:			
eON™	$ 33,869	$ 16,650	103.4%
Film	18,098	5,982	202.5%
	51,967	22,632	129.6%
Industrial Products:			
Automotive	$ 5,916	$ 5,378	10.0%
Custom	42,713	42,336	0.9%
	48,629	47,714	1.9%

Consumer Products Segment – eON™ and Film Products

Consumer products segment sales for the year ended December 31, 2000 increased by $29,335,000 or 129.6% to $51,967,000 from $22,632,000 in 1999.

eON™ product sales increased by $17,319,000 to $33,869,000, an increase of 103.4%. This increase was attributable primarily to increased eON™ Decking System sales of $8,600,000, or 477% to $10,400,000, and increased window fashion sales of $7,600,000 or 56% to $22,350,000. Other eON™ products introduced during 2000, including spa cladding profiles, accounted for $1,119,000 of the increase in Consumer products sales over 1999. The increase in eON™ decking system sales reflects enhanced retail distribution in 2000 as compared to 1999 and the impact of a full year's sales of the product as compared to 1999 that included six months sales from initial product launch in July 1999. Window fashion sales increases were attributable to increased sales in existing programs and the introduction of new programs in 2000.

Film product sales increased by $12,116,000 to $18,098,000 in 2000, an increase of 202.5% over 1999. This increase reflects the impact of a full years sales for this segment, which was acquired in August 1999, of $8,000,000 and organic growth in 2000 of $4,166,000 or 30% over 1999 resulting primarily from increased trash bag sales.

Industrial Products Segment – Automotive and Custom

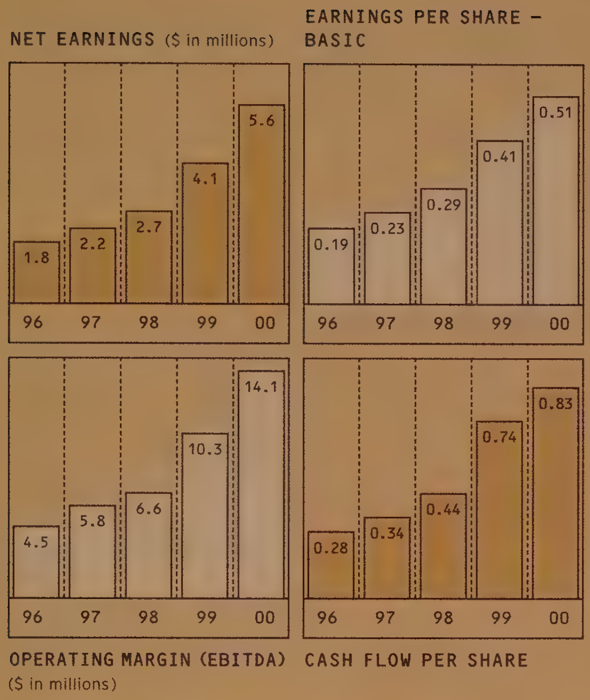
Industrial products segment sales for the year ended December 31, 2000 increased by 1.9% to $48,629,000, an increase of $915,000 over 1999 sales of $47,714,000.

Automotive segment sales accounted for most of the increase in Industrial products sales increasing $538,000 to $5,916,000, an increase of 10.0%. Custom product segment sales increased .9% or $377,000 to $42,713,000 as compared to $42,336,000. Both of these segments were negatively impacted by the general slowdown in the North American economy in the 4th quarter which affected automotive, appliance, office furniture and consumer electronics markets. Prior to this slowdown the Industrial products segment was growing at an annualized rate of 10%.

Geographic Sales Segmentation

CPI's manufacturing facilities are located in Canada. CPI sells its products to a broad range of customers in North America and abroad. Net sales to non-Canadian customers represented 67.6% of net sales as compared to 69.6% in 1999. The percentage decrease is due primarily to increased film product sales which are primarily made in Canada.

CPI utilizes foreign exchange sales contracts to hedge its U.S. dollar net cash flow exposure to fluctuating exchange rates. During 2000 CPI executed monthly contracts totalling $U.S. 15,000,000 at average rates of 1.4743. Monthly net U.S. dollar cash flows in excess of the committed contracts were sold or translated at spot rates. At December 31, 2000 CPI held forward exchange sale contracts expiring monthly in varying amounts and aggregating $U.S. $47,000,000 with average rates and expiration dates as follows:



SUSTAINABLE MARGINS THROUGH INNOVATIVE PRODUCTS AND PROCESSES, MAXIMIZING CAPACITY UTILIZATION AND LEVERAGING ECONOMIES OF SCALE.

Amount	Average Rate	Expiration
$20,000,000 U.S.	1.4845	January – December 2001
$20,000,000	1.4721	January – December 2002
$ 7,000,000	1.5006	January – May 2003

CPI currently has a foreign exchange contract facility with a maximum of $50.0 million over 36 months.

Operating Margin (EBITDA)

Operating margin for the year ended December 21, 2000 increased by $3,770,000 to $14,065,000, an increase of 36.6% over 1999. As a percentage of sales operating margins decreased to 14.0% from 14.6% in 1999. The decrease was attributable to increased selling expenses as a percentage of sales of 1.1% offset by administrative efficiencies of .5% of sales. Selling expense increases reflect the nature of Consumer products that demand increased selling support over Industrial products. Gross margins remained stable in 1999 despite the revenue growth due primarily to production inefficiencies incurred in the film products segment arising from demand exceeding existing capacity and production capabilities. Investment in debottlenecking and plant expansion in the fourth quarter of 2000 has addressed these issues. In addition the slowdown in Industrial products sales resulted in lost labor and overhead efficiencies at the affected plants.

Amortization

Amortization increased by $1,109,000 or 50.2% to $3,319,000 as compared to 1999. The increase was attributable to full year amortization related to a new facility established in 1999, the amortization associated with an additional $9.3 million of capital expenditures in 2000 and the impact of full year amortization of goodwill related to the 1999 acquisition of Extrufix Inc. Amortization as a percentage of sales was 3.3% (1999 – 3.1%).

Interest Expense

Interest expense in 2000 increased $864,000 compared to 1999 to $2,341,000 which represented 2.3% (1999 – 2.1%) of sales. Average funded debt in 2000 increased by $12,000,000 over 1999 as a result of $10,500,000 of debt incurred in September 1999 related to the acquisition of Extrufix Inc., and additional funds required to finance investment in capital expenditures and working capital in 2000.

Income Tax Expense

Income tax expense was $2,800,000 or 33.3% of earnings before income taxes in 2000 as compared to $2,473,000 or 37.4% in 1999. During 2000 the Company realized a current year tax adjustment of $200,000 (2.3%) related to an adjustment to future income taxes for enacted changes in tax laws and rates.

Net Earnings and Earnings per Share

Net earnings increased in 2000 by $1,469,000 or 35.5% over 1999 to $5,605,000. Basic earnings per share for the year ended December 31, 2000 are $0.51 as compared to $0.41 or 1999, a 24.4% increase. The weighted average number of shares increased to 11,091,997 from 10,208,107 in 1999 as a result of the issuance of 1,027,070 common shares during the year pursuant to the private placement of special warrants and the issuance of shares under the Company's Employee Share Purchase Plan.

Fully diluted earnings per share increased to $0.48 from $0.38 in 1999 representing a 26.3% increase.

CASH FLOW, CAPITAL RESOURCES AND FINANCIAL POSITION

Operating Cash Flow

Operating cash flow increased by $1,689,000 or 22.3% to $9,249,000 compared to $7,560,000 in 1999 and is summarized as follows:

Increase in net earnings	$1,469,000
Increase in amortization	1,109,000
Decrease in future income taxes	(889,000)
	1,689,000

Basic cash flow per share was $0.83 in 2000 versus $0.74 in 1999.

Management believes that the Company will continue to generate improved cash flows through 2001 which will be utilized to fund further investment activities.

Working Capital

A summary of CPI's working capital position as at December 31, 2000 and 1999 is as follows:

(in millions of dollars)	**2000**	1999
Current assets	$ 25.6	$ 21.8
Current liabilities	(18.7)	(21.9)
Working capital	6.9	(0.1)
Current ratio	1.37:1	1.00:1

Working capital was $6.9 million at December 31, 2000 as compared to ($0.1) million at December 31, 1999. The net proceeds of $4.9 million received from a special warrant issue completed on March 9, 2000 and a new credit facility with longer payment amortization and increased operating cash flows has resulted in a significant improvement in working capital. Management will continue to focus on improving working capital in 2001 by identifying opportunities for additional equity and/or term debt and will continue to focus on initiatives to decrease investments in receivables and inventories.

Capital Expenditures

Capital expenditures on major investing activities for the year ended December 31, 2000 and 1999 were as follows:

(in millions of dollars)	2000	1999
Property, plant and equipment	$ 9.3	$ 9.7
Acquisition	–	9.5
	9.3	19.2

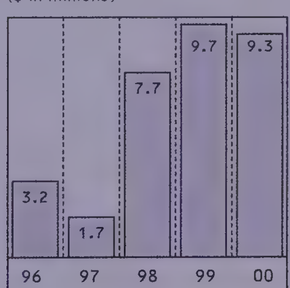
In 2000 expenditures on property, plant and equipment was $9.3 million as compared to $9.7 million in 1999. Approximately $1.5 million was expended on plant expansion and debottlenecking at the Pefferlaw facility with the balance of $7.8 million being expended primarily on the expansion of capacity at existing facilities and for various process improvement initiatives.

Capital expenditures for 2001, excluding possible acquisitions, are estimated to be approximately $13.0 million and relate primarily to the investment required at the new 83,000 square foot facility in Mississauga, Ontario, scheduled to open in April 2001, continued capacity expansion initiatives in the Company's existing facilities to meet expected growth in all segments of the business and various profitability improvement initiatives. These requirements will be funded primarily from internally generated cash resources and additional debt and equity as required.

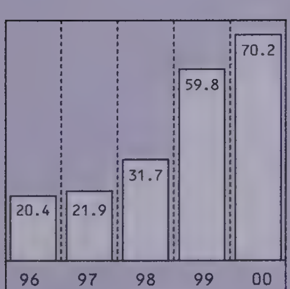
Operating Debt

Operating debt was $8,382,000 which is an increase of $259,000 from 1999. During the year the Company increased its operating line facility to a maximum of $15.0 million (subject to certain covenant restrictions) from $10.0 million. This facility will be available to fund working capital requirements through peak months.

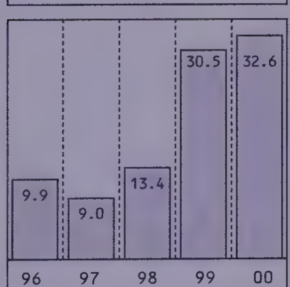
CAPITAL EXPENDITURES
($ in millions)



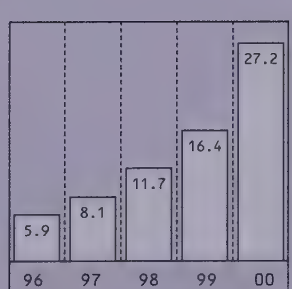
SOLID CAPITAL STRUCTURE SUPPORTED BY STRONG CASH FLOWS ALLOWING FOR CONTINUED EXPANSION AND MAXIMIZATION OF SHAREHOLDER VALUE.



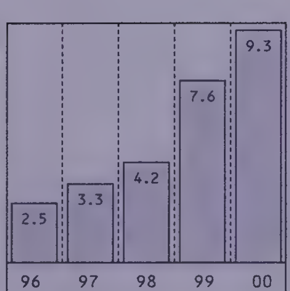
TOTAL ASSETS ($ in millions)



TOTAL DEBT ($ in millions)



TOTAL EQUITY



OPERATING CASH FLOW
($ in millions)

Term Debt

During 2000 the Company re-negotiated its credit facility with a new lender. The result was a term facility of $25.0 million to re-finance existing debt and a $5.0 million facility to partially fund 2001 capital expenditures. As of December 31, 2000 the Company had not drawn upon this latter facility. The rates on these term facilities range from prime or bankers acceptance plus 150bps to prime plus .50% or bankers acceptance plus 212.5 bps. depending on levels of debt to adjusted tangible net worth.

Under the credit facility the Company has fixed the rate of interest on $20 million of the term debt outstanding through an interest rate swap. As at December 31, 2000 the Company had entered into a 5 year swap agreement with a notional amount of $20 million and bearing interest at 6.56%.

As at December 31, 2000 term debt totaled $24.2 million of which $3.1 million is classified as due within one year.

Shareholders' Equity

Shareholders' equity, inclusive of First preference shares, increased by $10,807,000 or 66.1% to $27,164,000 in 2000 as compared to 1999. The increase was attributable to the issuance of 1,029,070 common shares in 2000 with net proceeds of $5,502,000 and an increase in retained earnings of $5,305,000. This resulted in a funded debt to shareholders' equity ratio of 1.20 to 1, down from 1.87 to 1 in 1999.

YEAR ENDED DECEMBER 31, 1999 AS COMPARED TO THE YEAR ENDED DECEMBER 31, 1998

Net sales for the year ended December 31, 1999 increased by $23,845,000 or 51.3% over 1998, to $70,346,000.

Consumer product segment sales increased $18,000,000 to $23,300,000 from $5,300,000 in 1998, an increase of 339%. Sales of eon™ products, decking system and window fashions increased $12,100,000 to $17,400,000 as a result of the introduction in July 1999 of the eon™ decking system and continued expansion of window fashion programs. Film sales were $5,900,000 in 1999 as compared to nil in 1998 as this segment was acquired in August 1999.

Industrial product segment sales increased $5,845,000 or 14.2% over 1998 to $47,046,000. Automotive sales increased $2,500,000 to $4,000,000 in 1999 as a result of continued penetration into the tier 1 automotive OEM suppliers. Custom products increased $3,345,000 compared to $43,046,000 in 1998 lead by growth in the office furniture, commercial refrigeration and consumer electronics markets.

Operating margin for the year ended December 31, 1999 increased by $3,728,000 to $10,295,000. As a percentage of sales operating margins increased to 14.6% from 14.1% in 1998. The increase was due primarily to operating efficiencies realized on fixed plant overheads and selling, general and administrative costs offset slightly by increased labour costs. Raw material costs for the year increased as a percentage of sales by 1.5% due to the impact of sales of eon™ products and film products, which both have a higher material component than other custom profiles. The general increase in the costs of various resins had a minimal impact on raw material costs as most resins were subject to fixed price contracts.

Depreciation and amortization increased by $1,097,000 or 99% to $2,210,000 as compared to 1998. The increase was attributable to depreciation primarily on equipment purchased for two new facilities leased in 1998 and 1999, amortization of product development costs, full year amortization of the Extrudawood International Joint Marketing Agreement, and amortization of goodwill resulting from the acquisition of Extrufix Inc. in 1999.

Interest expense in 1999 increased $431,000 compared to 1998 to $1,476,000. This increase reflects additional debt incurred and assumed of approximately $10.5 related to the Extrufix acquisition and additional debt facilities to finance plant expansions. During the year all capital expenditures were financed by operating cash flows and proceeds from debt facilities. Interest expense as a percentage of sales decreased to 2.1% in 1999 from 2.3% in 1998.

Net earnings increased in 1999 by $1,410,000 or 51.7% to $4,136,000.

Basic earnings per share for the year ended December 31, 1999 were $0.41 as compared to $0.29 in 1998, a 41% increase. The weighted average number of shares increased to 10,208,107 from 9,463,478 in 1998 as a result of the full year impact in 1999 of the share restructuring completed during 1998 and the issuance of shares under the Company's Employee Share Purchase Plan.

Fully diluted earnings per share increased to $0.38 as compared to $0.28 in 1998.

RISKS AND UNCERTAINTIES

The future performance of CPI could be affected by various factors outside the control of the Company. The following are some of the factors that may have a positive or negative impact on the Company's future operating results.

A substantial portion of CPI's business is related, directly or indirectly, to the level of economic activity in consumer products in markets such as appliances, furniture, transportation vehicles and in residential and commercial construction and building products industry. Accordingly, the demand for CPI's products can be affected by changes in the general state of the economy. CPI distributes its products to markets that have traditionally experienced moderate fluctuations in economic activity, however there is no guarantee that this will prevail in the future.

The price of raw materials, and in particular, PVC resin, ABS and polystyrene, represents a significant portion of the cost of manufacturing CPI's products. Historically, there have been fluctuations in these raw material prices that are outside the control of CPI. Generally, CPI has been able to pass increases in raw materials on to its customers through increased selling prices, or otherwise absorb such increases without significantly impacting gross margins. However, there can be no assurance that CPI's customers will, in the future, respond favourably to selling price increases or that absorption of cost increases could occur without significantly affecting margins.

A large percentage of CPI's revenues are denominated in U.S. dollars. While CPI has purchased forward exchange sale contracts denominated in U.S. dollars for the next 36 months to reduce its exposure to fluctuations in Canadian/U.S. dollar exchange rate, to the extent CPI does not fully hedge its currency exposure and exchange rate risk or the Company is not able to or does not raise its prices accordingly, the profitability of the business could be adversely affected.

CPI's competitive position is enhanced by proprietary technology, certain of which, such as eon™, Extrudawood™ and the Extrufix "Rack·Sack™", is the subject of intellectual property protection. However, much of CPI's proprietary technology constitutes "know-how" which cannot, or which CPI has chosen not, to be the subject of intellectual property protection. Although CPI has taken steps to protect its proprietary technology, there is no assurance that it will not be misappropriated or developed independently by competitors or customers of CPI.

In order to develop and market new extrusion technology and products to their full potential, significant expenditures of both a capital and operating nature will have to be incurred on an ongoing basis. While CPI has historically generated significant cash flow, the rapid development of new products and the growth of CPI's business through internal expansion or acquisitions will depend upon access to external funding. Although, with existing term debt facilities, CPI is adequately funded to meet its current and medium term needs, there is no guarantee that funding for future expansion of CPI's business will be available from either lending or capital markets on acceptable terms.

OUTLOOK FOR 2001

Management's expectations for 2001 is for continued growth, albeit at rates lower than that achieved in prior years. The evidence of a continued slowing in the North American economy in early 2001 will impact growth expectations, primarily in the Industrial products segment. Growth in the Consumer products segment, lead by eon™ decking system sales, is expected to remain strong as distribution for this product has been significantly increased over 1999 with the introduction of agreements with Great Southern Wood Preserving Inc. and Home Depot Canada. Earnings growth is expected in 2001 as a result of increased revenues and the introduction of various process improvement initiatives. This growth will be impacted by increased costs in some resins contracted on an annual basis. Management acknowledges that there will be increased fixed costs associated with its new 83,000 sq. ft. manufacturing facility opening in March 2001 that may impact profitability in its early stages.

Management's Report to the Shareholders

Preparation of the consolidated financial statements accompanying this annual report and the presentation of all other information in this report is the responsibility of management. The financial statements have been prepared in accordance with appropriate and generally accepted accounting principles and reflect management's best estimates and judgements. All other financial information in the report is consistent with that contained in the financial statements. The Company maintains appropriate systems of internal control, policies and procedures which provide management with reasonable assurance that assets are safeguarded and that financial records are reliable and form a proper basis for preparation of financial statements.

The Board of Directors ensures that management fulfills its responsibility for financial reporting and internal control through an Audit Committee which is comprised solely of independent directors. The Audit Committee reviewed the consolidated financial statements with management and external auditors and recommended their approval by the Board of Directors.

The consolidated financial statements have been audited by KPMG LLP, Chartered Accountants. Their report stating the scope of their audit and their opinion on the consolidated financial statements is presented below.

Peter F. Clark
Chairman and Chief Executive Officer
March 7, 2001

Daniel Ardila

Daniel J. Ardila
Vice President and Chief Financial Officer
March 7, 2001

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of CPI Plastics Group Ltd. as at December 31, 2000 and 1999 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Mississauga, Canada
March 7, 2001

Consolidated Balance Sheets

December 31, 2000 and 1999

(in thousands of dollars)	**2000**	1999
ASSETS		
Current assets:		
Accounts receivable	$ 14,355	$ 11,038
Inventories (note 3)	8,531	8,364
Prepaid expenses, deposits and sundry receivables	2,603	1,848
Other receivables (note 4)	99	554
	25,588	21,804
Property, plant and equipment (note 5)	32,540	25,759
Goodwill and other assets (note 6)	12,117	12,246
	$ 70,245	$ 59,809
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank indebtedness (note 7)	$ 8,382	$ 8,123
Accounts payable and accrued liabilities	7,172	10,234
Term debt due within one year (note 8)	3,125	3,537
	18,679	21,894
Term debt (note 8)	21,094	18,875
Future income taxes	3,308	2,683
First Preference Shares (note 9)	2,000	2,000
SHAREHOLDERS' EQUITY:		
Capital stock (note 10)	9,766	4,264
Contributed surplus	4,111	4,111
Retained earnings	11,287	5,982
	25,164	14,357
Commitments (note 18)		
	$ 70,245	$ 59,809

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

On behalf of the Board:

Peter F. Clark
Director

William G. Copland
Director

Consolidated Statements of Earnings

Years ended December 31, 2000 and 1999

(in thousands of dollars)	**2000**	1999
Net sales	$ 100,596	$ 70,346
Cost of sales and operating expenses	86,531	60,051
Operating margin	14,065	10,295
Expenses:		
Amortization (note 12)	3,319	2,210
Interest (note 13)	2,341	1,476
	5,660	3,686
Earnings before income taxes	8,405	6,609
Income taxes (note 14)	2,800	2,473
Net earnings	$ 5,605	$ 4,136
Earnings per share (notes 1(j)(ii) and 11):		
Basic	$ 0.51	$ 0.41
Fully diluted	0.48	0.38

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

Consolidated Statements of Retained Earnings

Years ended December 31, 2000 and 1999

(in thousands of dollars)	**2000**	1999
Retained earnings, beginning of year:		
As previously reported	$ 5,982	$ 1,846
Adjustment for implementation for future income taxes (note 1(j)(i))	(300)	–
As restated	5,682	1,846
Net earnings	5,605	4,136
Retained earnings, end of year	$ 11,287	$ 5,982

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

Consolidated Statements of Cash Flows

Years ended December 31, 2000 and 1999

(in thousands of dollars)	2000	1999
CASH PROVIDED BY (USED IN):		
Operating activities:		
Net earnings	$ 5,605	$ 4,136
Items not affecting cash:		
Amortization	3,319	2,210
Future income taxes	325	1,214
	9,249	7,560
Change in non-cash working capital balances related to operations (note 16)	(7,301)	(3,160)
	1,948	4,400
Financing activities:		
Additions to term debt	25,000	23,250
Repayment of term debt	(23,193)	(11,889)
Increase in bank indebtedness	259	4,122
Issuance of subordinate voting shares	–	485
Issuance of common shares	558	–
Issuance of warrants, net of share issue costs	4,944	–
	7,568	15,968
Investing activities:		
Acquisition of property, plant and equipment	(9,304)	(9,716)
Increase in goodwill and other assets	(667)	(912)
Decrease (increase) in other receivables	455	(240)
Business acquisition	–	(9,500)
	(9,516)	(20,368)
Increase in cash, being cash end of year	$ –	$ –
Cash flow (being net earnings plus items not affecting cash)	$ 9,249	$ 7,560
Cash flow per share:		
Basic	0.83	0.74
Fully diluted	0.80	0.71
Supplementary information:		
Income taxes paid	$ 2,039	$ 909
Interest paid	2,466	1,527

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

Notes to Consolidated Financial Statements

Years ended December 31, 2000 and 1999 (in thousands of dollars)

The Company is incorporated under the laws of the Province of Ontario and its primary business activity consists of the extrusion of custom and generic plastic components and products. On January 1, 2000, CPI Plastics Group Ltd., Extrufix Inc., Michael McNerney Inc., 562116 Ontario Limited and 299522 Ontario Limited amalgamated to carry on business as CPI Plastics Group Ltd.

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, the more significant of which are outlined below.

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Principles of consolidation:

The financial statements include the accounts of the wholly owned subsidiaries, Crila Plastic Industries Inc., Bulow Investments Inc., Crila Investments Inc. and Extrudawood Inc.

(b) Revenue recognition:

Revenue from product sales is recognized when goods are shipped with a provision for estimated returns recorded at that time.

(c) Inventories:

Raw materials are valued at the lower of cost and replacement cost. Finished goods and work-in-process are valued at the lower of cost and net realizable value.

(d) Property, plant and equipment:

Property, plant and equipment is stated at cost less accumulated amortization. Amortization is provided at the following methods and rates:

Asset	Basis	Rate
Buildings	Declining balance	5%
Computers and other equipment	Declining balance	20% – 30%
Machinery and equipment	Straight line	10 – 15 years
Leasehold improvements	Straight line	Over term of lease

(e) Goodwill and other assets:

Goodwill is stated at cost and is being amortized on a straight-line basis over 40 years. On an ongoing basis, management reviews the valuation and amortization of goodwill and other assets taking into consideration any events and circumstances which might have impaired the fair value. Goodwill is written down to fair value when declines in value are considered to be other than temporary based upon the projected undiscounted cash flow of the respective business.

Deferred product development costs relate primarily to the eon™ process and are being amortized on a straight-line basis over three years. The investment in the International Marketing Agreement is being amortized on a straight-line basis over 10 years.

(f) Translation of foreign currencies:

Monetary items denominated in foreign currencies are translated to Canadian dollars at exchange rates in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at average rates for the year. Gains or losses on translation are included in earnings.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(g) Financial instruments:

The Company realizes a significant portion of its sales in foreign currencies and enters into various types of foreign exchange contracts to manage its foreign exchange risk. The Company does not hold or issue financial instruments for trading purposes. Resulting gains and losses are accrued as exchange rates change to offset gains and losses resulting from the underlying hedged transactions. The Company has entered into an interest rate swap agreement to manage its interest costs. Payments and receipts under interest rates swap contracts are recognized as adjustments to interest expense.

(h) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

(i) Stock option plan:

The Company has a stock option plan which is described in note 10. No compensation expense is recognized for this plan when stock or stock options are issued. Any consideration paid on the exercise of stock options or purchase of stock is credited to capital stock.

(j) Change in accounting policies:

(i) In December 1997, the Accounting Standards Board of The Canadian Institute of Chartered Accountants ("CICA") issued Section 3465 of the CICA Handbook, Income Taxes ("Section 3465"). Effective for the year ended December 31, 2000, the Company adopted Section 3465 and has reported the cumulative effect of that change in the method of accounting for income taxes as of January 1, 2000 in the consolidated statement of retained earnings. Section 3465 requires a change from the deferred method of accounting for income taxes to the asset and liability method of accounting for income taxes.

Under the asset and liability method of Section 3465, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under Section 3465, the effect on future income tax assets and liabilities of a change in tax laws and rates is recognized in income in the period that includes the date of enactment or substantive enactment.

Pursuant to the deferral method, which was applied for the year ended December 31, 1999 and prior years, deferred income taxes are recognized for income and expense items that are reported in different years for financial reporting purposes and income tax purposes using the tax rate applicable for the year of the calculation. Under the deferral method, deferred taxes are not adjusted for subsequent changes in tax rates.

The cumulative effect of this change in accounting for income taxes of $300 is determined as of January 1, 2000 and is reported separately in the consolidated statement of retained earnings as a restatement of the opening balance of retained earnings for the year ended December 31, 2000. Prior years' consolidated financial statements have not been restated to apply the provisions of Section 3465. The effect of this change on the current year's income taxes is a reduction of $200.

(ii) In January 2001, the Accounting Standards Board of The Canadian Institute of Chartered Accountants issued Section 3500 of the CICA Handbook, Earnings Per Share ("Section 3500"). Effective for the year ended December 31, 2000, the Company adopted Section 3500 which requires a change to the treasury stock method for computing diluted earnings per share. The treasury stock method is a method of recognizing the use of proceeds that could be obtained upon exercise of options in computing diluted earnings per share. It assumes that any proceeds would be used to purchase common shares at the average market price during the period.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The effect of this change is a decrease to 1999 fully diluted earnings per share of $0.01 and an increase to 2000 fully diluted earnings per share of $0.01.

(k) Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

2. BUSINESS ACQUISITIONS AND DEVELOPMENTS:

(a) Effective August 1, 1999, the Company acquired all the shares of Extrufix Inc., Extrufix Inc. (USA), Michael McNerney Inc., 562116 Ontario Limited and 299522 Ontario Limited for cash consideration of $9.5 million. Extrufix Inc. and Extrufix Inc. (USA), the operating companies, are engaged in the manufacture, distribution and sale of the Rack•Sack™ and several lines of plastic bags.

The acquisition was accounted for using the purchase method. The total purchase consideration of $9.5 million was allocated as follows:

Non-cash working capital	$ 944
Capital assets	3,170
Goodwill	7,325
Long-term debt assumed	(835)
Deferred income taxes	(316)
Bank indebtedness assumed	(788)
Purchase price	$ 9,500

The acquisition was financed through term debt of $6,750 and bank indebtedness of $2,750.

(b) During 1999, the Company entered into a letter agreement with Groupe Lapeyre of France which contemplates the execution of a formal licence and royalty agreement pursuant to which the Company is entitled to receive an initial licence fee of U.S. $200 of which the Company has received U.S. $75 (1999 – U.S. $75) and royalty fees ranging from 2% to 5% based on the amount of resin compound utilized by Groupe Lapeyre in the manufacturing of products utilizing the Extrudawood technology.

3. INVENTORIES:

	2000	1999
Raw materials	$ 4,558	$ 4,923
Work-in-process	424	638
Finished goods	3,549	2,803
	$ 8,531	$ 8,364

4. OTHER RECEIVABLES:

In conjunction with the entering into of the North American Royalty and License Agreement with Extrudawood P.L.C. in 1998, the Company agreed to loan to Extrudawood P.L.C. up to a maximum of £350,000 (the "Loan"), such Loan to be advanced to Extrudawood P.L.C. in seven equal monthly amounts of up to £50,000 each (the "Advance") commencing on November 1, 1998 and ending on May 1, 1999. Each Advance is represented by a demand promissory note issued by Extrudawood P.L.C. bearing no interest. Extrudawood P.L.C. agrees that all Advances shall be repaid by Extrudawood P.L.C. on the basis that the Company is directed to apply the net amount of any royalties or other distributions to which Extrudawood P.L.C. would otherwise be entitled to receive pursuant to the North American Royalty and Licence Agreement.

4. OTHER RECEIVABLES (CONTINUED):

As at December 31, the balance was comprised of:

	2000	1999
Advances	$ 882	$ 882
Net royalties earned	(783)	(328)
	$ 99	$ 554

5. PROPERTY, PLANT AND EQUIPMENT:

			2000	1999
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 890	$ –	$ 890	$ 890
Buildings	4,328	897	3,431	3,138
Computers and other equipment	2,982	1,624	1,358	1,378
Machinery and equipment	32,027	8,141	23,886	17,296
Leasehold improvements	3,700	725	2,975	3,057
	$ 43,927	$ 11,387	$ 32,540	$ 25,759

6. GOODWILL AND OTHER ASSETS:

	2000	1999
Goodwill, net of accumulated amortization of $1,624 (1999 – $1,286)	$ 10,839	$ 11,177
Deferred charges, net of accumulated amortization of $696 (1999 – $275)	998	752
Investment in International Marketing Agreement, net of accumulated amortization of $86 (1999 – $49)	280	317
	$ 12,117	$ 12,246

7. BANK INDEBTEDNESS:

The Company has a revolving $15,000 (1999 – $10,000) secured credit facility, of which $7,974 was drawn at December 31, 2000 (1999 – $8,123), that may be drawn down up to May 30, 2001. The Company has the option to request the bank to extend the revolving facility for a further period not to exceed 364 days so that the term remains five years. In the event that the bank, at any time, for reasons other than as a result of an event of default, does not approve an extension, and provided all covenants and conditions are satisfied, the Company shall be entitled to convert the revolving facility to a non-revolving loan with equal monthly payments of principal plus interest with a term not exceeding four years.

The revolving facility bears interest at prime plus 0.5% per annum or at 2.0% over bankers' acceptances rates until March 31, 2001, and at rates between prime plus 0% to 0.625% or at 1.5% to 2.125% over bankers' acceptances rates.

The revolving facility is secured by inventories and a general security agreement covering all other assets of the Company.

8. TERM DEBT:

The term debt consists of the following:

	2000	1999
Term Loans:		
Non-revolving term loan due September 29, 2005, bearing interest at floating rates at prime plus 0.50% or 2.0% over bankers' acceptances to March 31, 2001, thereafter at prime rate plus 0% to 0.625% or 1.50% to 2.125% over bankers' acceptances; quarterly principal payments of $781	$ 24,219	$ –
Commercial Term Loan No. 1, due June 30, 2006, bearing interest at floating rates at prime rate or Bankers' Acceptances plus 100 basis points, quarterly principal payments of $500	–	13,000
Commercial Term Loan No. 2, due September 20, 2004, bearing interest at floating rates at prime rate plus 1/2% or bankers' acceptances plus 200 basis points, monthly principal payments of $112	–	6,412
Commercial Term Loan No. 3, due September 20, 2004, bearing interest at floating rates at prime rate plus 1/2% or bankers' acceptances plus 200 basis points, monthly principal payments commencing October 2000 of $62	–	3,000
	24,219	22,412
Less due within one year	3,125	3,537
	$ 21,094	$ 18,875

During the year, the Company repaid all amounts owing under Commercial Term Loans No. 1 to No. 3 with part of the proceeds from the non-revolving term loan.

The non-revolving term loan is secured by fixed and floating charges on all assets of the Company.

The Company has a five-year $5,000 non-revolving term facility available to assist with capital expenditures for fiscal 2001 under the same terms and conditions of the existing non-revolving term facility.

The Company has entered into an interest rate swap agreement with a notional amount of $20,000 (1999 – $6,500 and $3,210) bearing interest at 6.56% (1999 – 6.67% and 6.64%, respectively). Under the terms of the agreement the Company has exchanged its floating rate payments for fixed rate payments. This swap terminates on September 30, 2005.

Principal repayments for the next five fiscal years are as follows:

2001	$ 3,125
2002	3,125
2003	3,125
2004	3,125
2005	11,719

9. FIRST PREFERENCE SHARES:

The retractable, convertible First Preference Shares are presented separately as a financial liability on the balance sheet at the aggregate retraction amount, as the retraction is solely at the option of the holder.

Under its loan agreement with its long-term lender, the Company is restricted from making corporate distributions, which includes the redemption of shares, if as a result of such distribution, the Company would not be in compliance with its debt covenants. As at December 31, 2000, the Company would not be in compliance with its covenants if it was required to satisfy the retraction rights attached to any of the First Preference Shares.

10. CAPITAL STOCK:

Authorized share capital of the Company consists of the following:

(a) Unlimited number of First Preference Shares:

First Preference Shares are non-voting and carry no dividend rights. These shares are retractable, in whole or in part with 30 days notice, at a retraction price of $4.22 per share. These shares also carry the right to be converted into common shares on a one-for-one basis.

(b) Unlimited number of Second Preference Shares:

Second Preference Shares are issuable in series, with the designation of rights, privileges, restrictions and conditions to be determined by the Board of Directors prior to the issue of the first shares of a series. The Second Preference Shares would rank prior to the common shares, but subsequent to the First Preference Shares with respect to dividends and return of capital on dissolution.

(c) Unlimited number of common shares.

Neither the common shares nor the First Preference Shares may be sub-divided, consolidated or otherwise changed unless all such shares are similarly changed to preserve the relative position of each class.

	Stated amount	
	2000	1999
Issued:		
11,270,273 common shares (1999 – nil)	$ 9,766	$ –
Nil Multiple voting shares (1999 – 3,648,504)	–	1,359
Nil Subordinate voting shares (1999 – 6,592,699)	–	2,905
	$ 9,766	$ 4,264
473,992 First Preference Shares (1999 – 473,992)	$ 2,000	$ 2,000

On January 7, 2000, the Company issued 96,600 subordinated voting shares for net proceeds of $550.

On March 9, 2000, the Company issued 930,470 special warrants for net proceeds of $4,944. These special warrants were exchanged, on a one for one basis, for common shares in July, 2000.

On June 1, 2000, pursuant to the subscription and underwriting agreements for the special warrants, and pursuant to a special resolution, the Company redesignated and reclassified all of its multiple voting shares and subordinated voting shares on a one-for-one basis into one class of common shares carrying one vote per share.

The Company has a stock option plan to allow management, officers, directors and service providers to purchase common shares (1999 – subordinate voting shares). The maximum number of common shares which may be issued under the terms of the plan is 1,499,400. Options granted in 1999 and 2000 are exercisable as to 33.3% on the anniversary date of the grant thereof during the first three years. Options granted in 1998 are exercisable as to 20% on the anniversary date of the grant thereof during the first five years. During the year, 2,000 of the September 21, 1998 options were exercised for gross proceeds of $8.

10. CAPITAL STOCK (CONTINUED):

The following table reflects the activity under the stock option plan from December 31, 1998 through December 31, 2000, and the weighted average execise prices:

	2000		1999	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding, beginning of year	635,000	5.44	305,000	4.30
Granted	335,000	5.05	330,000	6.49
Exercised	(2,000)	4.22	–	–
Cancelled	(60,000)	5.36	–	–
Outstanding, end of year	908,000	5.30	635,000	5.44
Options exercisable, end of year	209,000	5.29	61,000	4.22

The following table summarizes the stock options outstanding at December 31, 2000:

	Options Outstanding			Options Exercisable
Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable
$ 4.22 – $ 5.80	273,000	7.7 years	4.31	109,000
6.35 – 6.50	300,000	8.9 years	6.49	100,000
5.00 – 5.90	335,000	9.8 years	5.05	–
	908,000			209,000

11. EARNINGS PER SHARE:

Basic and fully diluted earnings per share have been calculated using the weighted average number of shares outstanding during the year of 11,091,997 (1999 – 10,208,107) and 11,635,295 (1999 – 10,767,277), respectively.

The computations for basic and fully diluted earnings per share are as follows:

	2000	1999
Net earnings	$ 5,605	$ 4,136
Average number of common shares outstanding (in thousands):		
Basic	11,092	10,208
First preference shares	474	474
Effect of stock options	69	85
Diluted	11,635	10,767

12. AMORTIZATION:

	2000	1999
Property, plant and equipment	$ 2,523	$ 1,796
Goodwill	338	196
Other assets	458	218
	$ 3,319	$ 2,210

13. INTEREST:

	2000	1999
Interest – secured credit facility	$ 739	$ 516
Interest – term debt	1,602	960
	$ 2,341	$ 1,476

14. INCOME TAXES:

Income tax expense differs from the amounts computed by applying the combined federal and provincial income tax rate of 35.5% to pretax income as a result of the following:

	2000	1999
Earnings before income taxes	$ 8,405	$ 6,609
Expected income taxes based on an effective manufacturing and processing income tax rate of approximately 35.5% (1999 – 36.0%)	2,983	2,379
Changes in income taxes attributed to:		
Amortization of non-deductible goodwill	122	70
Adjustment to future income taxes for enacted changes in tax laws and rates	(200)	–
Adjustments for deductions of share issue costs and other	(105)	24
	$ 2,800	$ 2,473

The tax effects of temporary differences that give rise to significant portions of future income tax liabilities at December 31, 2000 are presented below:

Future income tax liabilities:	2000	1999
Capital assets	$ 3,633	$ 3,043
Valuation allowance	–	–
Other	(325)	(360)
	$ 3,308	$ 2,683

15. SEGMENTED REPORTING DATA:

During fiscal 1999, the Company adopted the segment disclosure requirements as provided for in the new recommendations of The Canadian Institute of Chartered Accountants. The recommendations establish standards for reporting information about operating segments in financial statements issued to shareholders. Operating segments are defined as components of an enterprise about which separate financial information is available and which are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

During the year, the Company revised its operating segments to reflect the changes in the Company's business.

The Company's significant operating segments are:

(i) Consumer products – eon™ products and film products:

This segment represents the production and sale of products to the consumer markets and includes all sales of eon™ products, including decking system, spa cladding, window fashion products and other wood replacement products and film products including the Rack·Sack™ and related products.

15. SEGMENTED REPORTING DATA (CONTINUED):

(ii) Industrial products – automotive and custom:

This segment represents the production and sale of products to industrial markets and includes all sales to the automotive industry and sales of a myriad of custom products to various industrial customers.

Sales to one customer in the eON™ segment accounted for 22.6% (1999 – 19.5%) of net sales.

Certain corporate assets and expenses have been allocated to each operating segment based on a pro rata share of revenue or efforts.

	Consumer products		Industrial products		
2000	eON™	Film	Automotive	Custom	Total
Net sales	$ 33,869	$ 18,098	$ 5,916	$ 42,713	$ 100,596
Amortization	1,425	459	262	1,173	3,319
Interest expense	733	398	118	1,092	2,341
Segment profit	1,776	869	309	2,651	5,605
Segment assets	23,390	17,085	3,265	26,505	70,245
Capital expenditures	5,508	1,373	706	1,717	9,304

	Consumer products		Industrial products		
1999	eON™	Film	Automotive	Custom	Total
Net sales	$ 16,650	$ 5,982	$ 5,378	$ 42,336	$ 70,346
Amortization	1,005	159	105	941	2,210
Interest expense	362	50	105	959	1,476
Segment profit	1,073	355	242	2,466	4,136
Segment assets	16,397	13,590	2,497	27,325	59,809
Capital expenditures	4,728	528	276	4,184	9,716

The Company operates primarily in Canada and sells to a broad range of customers in North America and abroad. Net sales to non-Canadian customers represented 67.6% (1999 – 69.6%) of total net sales. All capital assets and goodwill are deployed in Canada. Net sales by geographic region are presented below.

(in thousands of dollars)	**2000**	1999
United States	$ 66,601	$ 47,811
Other foreign	1,366	1,175
Total exports	67,967	48,986
Canada	32,629	21,360
	$ 100,596	$ 70,346

16. CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS:

	2000	1999
Accounts receivable	$ (3,317)	$ (3,168)
Inventories	(167)	(2,142)
Prepaid expenses, deposits and sundry receivables	(755)	(824)
Accounts payable and accrued liabilities	(3,062)	2,974
	$ (7,301)	$ (3,160)

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:

(a) Foreign exchange risk:

At December 31, 2000, the Company held forward foreign exchange sale contracts expiring monthly and aggregating U.S. $47,000 with average rates and expiration dates as follows:

Amount	Average rate	Expiration
U.S. $ 20,000	1.4845	January – December 2001
U.S. $ 20,000	1.4721	January – December 2002
U.S. $ 7,000	1.5006	January – May 2003

The fair value of forward exchange sale contracts is a cost to the Company. The cost to close these contracts has not been accrued in the accounts and totals $0.3 million (1999 – $0.8 million). Fair value has been estimated using quoted market rates for the same or similar instruments.

(b) Credit risk:

The Company does not have significant exposure to any individual customer. The Company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance.

(c) Fair value of financial assets and financial liabilities:

The carrying value of accounts receivable, sundry receivables, bank indebtedness, accounts payable and accrued liabilities and long-term debt approximates their fair value due to the relatively short periods to maturity or the instruments bearing interest at rates which fluctuate with market rates of interest.

The fair value of swap agreements approximates their carrying value based upon quoted market rates for agreements with similar terms.

18. COMMITMENTS:

The Company is committed to premises, operating leases and other contracts which require minimum payments over the next five years and thereafter as follows:

2001	$ 2,150
2002	2,000
2003	1,900
2004	1,200
2005	800
thereafter	6,900

19. RELATED PARTY TRANSACTIONS:

One of the premises is rented from a company controlled by the controlling shareholder of the Company, at rates similar to those that would have been transacted with third parties. In 2000, the Company was charged $309 (1999 – $286) in rent by the related party.

Five Year Review

Fiscal years ended December 31

(in thousands of dollars except per share data)	**2000**	1999	1998	1997	1996
Net sales	$ 100,596	$ 70,346	$ 46,501	$ 38,452	$ 36,995
Operating margin (EBITDA)	14,065	10,295	6,567	5,775	4,457
Depreciation and amortization	3,319	2,210	1,113	1,024	828
Interest expense	2,341	1,477	1,045	850	856
Earnings from operations	8,405	6,609	4,409	3,901	2,773
Net earnings	5,605	4,136	2,726	2,187	1,834
Earnings per share (basic)	.51	.41	.29	.23	.19
Cash flow from operations	9,249	7,560	4,160	3,306	2,521
Working capital	$ 6,909	$ (90)	$ 2,612	$ 2,507	$ 2,316
Long term debt	24,219	22,412	10,216	6,065	6,766
Shareholders' equity	25,164	14,357	9,736	8,117	5,930
Total assets	70,245	59,809	31,709	21,928	20,433

Selected Quarterly Results for 2000 and 1999

Fiscal years ended December 31

(in thousands of dollars except per share data)	Q1	Q2	Q3	Q4	Total
Fiscal 2000					
Net sales	$ 23,010	$ 25,684	$ 28,604	$ 23,298	$ 100,596
Operating margin (EBITDA)	3,435	3,668	4,306	2,656	14,065
Earnings from operations	2,173	2,314	2,828	1,090	8,405
Net earnings	1,339	1,446	1,774	1,046	5,605
Earnings per share (basic)	.13	.13	.16	.09	.51
Fiscal 1999					
Net sales	$ 14,504	$ 17,174	$ 20,548	$ 18,120	$ 70,346
Operating margin (EBITDA)	1,964	2,433	3,356	2,542	10,295
Earnings from operations	1,336	1,763	2,650	860	6,609
Net earnings	831	1,108	1,669	528	4,136
Earnings per share (basic)	.08	.11	.17	.05	.41

Trading Data (Stock Symbol: CPI)

	Q1	Q2	Q3	Q4
Fiscal 2000				
High	$ 7.00	$ 6.25	$ 6.10	$ 6.00
Low	5.60	5.60	5.50	4.25
Close	6.00	5.80	5.85	4.25
Volume	244,991	406,495	432,416	134,509
Fiscal 1999				
High	$ 7.25	$ 7.00	$ 7.00	$ 7.10
Low	5.60	5.70	5.75	6.00
Close	5.75	5.75	6.45	7.10
Volume	75,346	97,927	31,967	53,678

Board of Directors

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Chairman &
Chief Executive Officer

JAMES D. ELLIES
CPI Plastics Group Ltd.
Vice Chairman

RONALD W. MITCHELL
CPI Plastics Group Ltd.
President

WILLIAM G. COPLAND
Pineridge Financial Corporation
President &
Chief Executive Officer

D. CAMPBELL DEACON
Azure Dynamics
Chairman &
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ANNUAL MEETING
The annual and special meeting of shareholders of CPI Plastics Group Ltd. will be held May 3, 2001 at 4:30pm at 1666 Shawson Drive, Mississauga, Ontario. The notice of meeting, Management Information Circular and proxy materials were mailed with this report.

STOCK EXCHANGE
Common shares are listed on the Toronto Stock Exchange trading under the symbol CPI. For more information on CPI Plastics, please refer to CPI's home page at www.cpiplastics.com

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